

# **JEFFERSON, URIAN, DOANE & STERNER, P.A.**

## **CAPE HENLOPEN SCHOOL DISTRICT**

### **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

**JUNE 30, 2008**

**FIELDWORK END DATE: OCTOBER 22, 2008**

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Dr. George E. Stone  
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1270 Kings Highway  
Lewes, Delaware 19958

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, Delaware 19901

We have performed the procedures enumerated below, which were agreed to by Cape Henlopen School District; the Office of Auditor of Accounts; and the State of Delaware Department of Education; solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Capital Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Policy Manual relative to the school construction projects administered by the School District for the year ended June 30, 2008. Cape Henlopen School District's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* (2007) issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

There are no findings upon completion of Cape Henlopen School District's construction program and project checklists.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Upon completion of Cape Henlopen School District's construction program and project checklists, our procedures resulted in finding(s), see *Appendix A*.

3. Determine if expenditures are accurately stated and are made in accordance with the State Capital Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

Upon completion of Cape Henlopen School District's construction program and project checklists, our procedures resulted in finding(s), see *Appendix A*.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30, 2008. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

There are no findings upon completion of Cape Henlopen School District's construction program and project checklists.

5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2008.

See *Appendix C*.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Cape Henlopen School District management and Board Members, the State of Delaware Office of Auditor of Accounts, and the State of Delaware Department of Education, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

*Jefferson, Urian, Doane & Sterner, P.A.*

Georgetown, Delaware  
October 22, 2008

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Procedure Agreed Upon #2:***

#### ***Finding 08-01:***

During completion of Cape Henlopen School District's construction program and project checklist for renovation to Lewes 9<sup>th</sup> Grade Academy, it was noted that the approval of construction plans, specifications, and cost estimates from the Division of Facilities Management was not obtained prior to bid advertisements as required by 29 Del. C. §7419(a). This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.

#### ***Recommendation:***

Cape Henlopen School District should establish procedures to ensure that proper approvals from the Division of Facilities Management are obtained in accordance with the guidelines established by the State of Delaware.

#### ***School District's Response:***

*"The District has established a checklist along with using the construction manual for all future projects to ensure that all projects meet submission and management guidelines. The construction plans were sent to OMB on 11/14/08."*

#### ***Finding 08-02:***

During completion of Cape Henlopen School District's construction program and project checklists for renovation and addition to H.O. Brittingham Elementary, renovation and addition to Shields Elementary School, renovation and addition to Milton Elementary School, renovation and addition to Rehoboth Elementary School, and Sussex Consortium lifeskills construction project, it was noted that the School District failed to submit the archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by 29 Del. C. §507(b). This was due to an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.

#### ***Recommendation:***

Cape Henlopen School District should submit the archival-quality copies for renovation and addition to H.O. Brittingham Elementary, renovation and addition to Shields Elementary School, renovation and addition to Milton Elementary School, renovation and addition to Rehoboth Elementary School, and Sussex Consortium lifeskills construction project to Delaware Public Archives as soon as possible.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Finding 08-02:***

#### ***School District's Response:***

*"The District is working with the engineer to obtain copies for submittal to the Delaware Public Archives."*

### ***Finding 08-03:***

During completion of Cape Henlopen School District's construction program and project checklists for Sussex Consortium lifeskills construction project, it was noted that the School District had not submitted a copy of the electronic AutoCAD files to Department of Education within thirty calendar days after the completion of major renovations as required by the School Construction Technical Assistance Manual, § 2.0, Paragraph 5.4. This was due to an oversight by the School District personnel. Noncompliance with State of Delaware provisions, including the School Construction Technical Assistance Manual, could potentially cause a delay in receiving future State funding.

#### ***Recommendation:***

Cape Henlopen School District should submit the AutoCAD files for Sussex Consortium lifeskills construction project to the Department of Education as soon as possible.

#### ***School District's Response:***

*"Documents were submitted on 10/22/08."*

### ***Finding 08-04:***

During completion of Cape Henlopen School District's construction program and project checklist for construct new 1600 pupil High School project, it was noted that approval of construction project for "Bid Pac B" was not timely obtained from the Architectural Accessibility Board as required by 29 Del. C. §7308(a) and the State of Delaware Budget and Accounting Policy Manual, XII.D.2. Construction plans and specifications must be submitted for review and approval prior to the start of construction. This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.

#### ***Recommendation:***

Cape Henlopen School District should establish procedures to ensure that proper approvals from the Architectural Accessibility Board are obtained timely in accordance with the guidelines established by the State of Delaware.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Finding 08-04:***

#### ***School District's Response:***

*"The District has established a checklist along with using the construction manual for all future projects to ensure that all projects meet submission and management guidelines."*

#### ***Procedure Agreed Upon #3:***

### ***Finding 08-05:***

During completion of Cape Henlopen School District's construction program and project checklist for the construct 2 middle schools project, it was noted that unexpended project funds totaled \$ 1,350, of which \$ 810 (60%) should be reverted to the State. School District personnel inappropriately transferred the State's share of the unexpended funds of \$ 810, along with the \$ 540 local portion, from appropriation 8077 to appropriation 8062. This was due to an oversight by School District personnel. According to 29 Del. Code §7515, any amount which has been appropriated to a school district by the State of Delaware under any school construction bond authorization act which remains unexpended one year after pupil occupancy shall be reverted back. State of Delaware's 60% share was established by fiscal year 2003 House Bill No. 600. Failure to comply with State of Delaware provisions, including Delaware Code, could result in fraud, errors, and irregularities.

#### ***Recommendation:***

Cape Henlopen School District should revert \$ 810 to the State of Delaware for the construct 2 middle schools project.

#### ***School District's Response:***

*"The District inadvertently transferred the funding from this appropriation. The District will revert the funds as recommended."*

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

The following schedule summarized the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
06-02 - During completion of Cape Henlopen School District's project checklists for the Sussex Consortium air conditioning project, it was noted that the School District's project construction files did not contain certain information required by the State of Delaware Budget and Accounting Policy Manual, XII.D.3.p. and XII.D.3.w. The files did not contain required certifications on substantial completion and release of liens from vendors and subcontractors. This was due to an oversight by School District personnel. Failure to comply with State of Delaware provisions, including the Budget and Accounting Policy Manual, could result in fraud, errors and irregularities.	Cape Henlopen School District should obtain and properly file the certifications on substantial completion and release of liens from all vendors and subcontractors for the Sussex Consortium air conditioning project.	Implemented. The engineering firm was uncooperative in providing appropriate documentation. However, the School District established procedures to ensure compliance on future projects.
06-04 - During completion of Cape Henlopen School District's project checklists for Sussex Consortium air conditioning project, it was noted that the School District failed to submit the archival-quality copies of architectural - and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by 29 Del. C. §507(b). This was due to an oversight by School District personnel.	Cape Henlopen School District should submit the archival-quality copies for the Sussex Consortium air conditioning project to Delaware Public Archives as soon as possible.	Not implemented. The engineering firm was uncooperative in providing appropriate documentation.  <b>Revised Recommendation:</b> The Cape Henlopen School District should establish procedures to insure archival-quality copies of architectural and/or engineering drawings are submitted to Delaware Public Archives as required by 29 Del. C. §507(b).



# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
06-04 - Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.		<p><b>School District's Response:</b></p> <p><i>"The District has established a checklist along with using the construction manual for all future projects to ensure that all projects meet submission and management guidelines."</i></p>
06-05 - During completion of Cape Henlopen School District's construction project checklists for the Sussex Consortium air conditioning project and the electrical renovations project, it was noted that the School District had not submitted a copy of the electronic AutoCAD files to the Department of Education within thirty calendar days after the completion of the addition as required by the School Construction Technical Assistance Manual, §2.0, Paragraph 5.4. This was due to an oversight by School District personnel. Noncompliance with State of Delaware provisions, including the School Construction Technical Assistance Manual, could potentially cause a delay in receiving future State funding.	Cape Henlopen School District should submit a copy of the electronic AutoCAD files for the Sussex Consortium air conditioning and electrical renovations projects as soon as possible to the Department of Education.	<p>Partially implemented. The electrical renovations project has been corrected. The engineering firm was uncooperative in providing appropriate documentation for the Sussex Consortium air conditioning project.</p> <p><b>Revised Recommendation:</b> The Cape Henlopen School District should establish procedures to insure a copy of the electronic AutoCAD files is submitted timely to Department of Education after completion of the project.</p> <p><b>School District's Response:</b></p> <p><i>"The District has established a checklist along with using the construction manual for all future projects to ensure that all projects meet submission and management guidelines."</i></p>

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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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Prior Year Finding	Recommendation	Status of Prior Year Finding
07-01 - During completion of Cape Henlopen School District's construction program and project checklists, the School District did not have written policies and procedures in accordance with the State of Delaware's Fixed Asset Accounting Policy Manual II.B. and II.C. The Manual requires each State organization to establish written procedures and controls necessary to implement and monitor prescribed fixed asset accounting and reporting policies, guidelines, and standards. School District personnel were unaware of this requirement. Cape Henlopen School District could potentially be exposed to fraud, misuse of appropriated funds, and improper capitalization of construction work-in-progress and completed projects when adequate policies and procedures are not in place.	Cape Henlopen School District should establish written procedures to ensure that the State's fixed assets are properly monitored, identified, and recorded.	Implemented.
07-02 -During completion of Cape Henlopen School District's construction program and project checklists for renovation and addition to H.O. Brittingham Elementary, renovation and addition to Shields Elementary School,	Cape Henlopen School District should establish procedures to ensure that proper approvals are obtained in accordance with the guidelines established by the State of Delaware.	Implemented.

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
07-02 - renovation and addition to Milton Elementary School, renovation and addition to Rehoboth Elementary School, and construct new 1600 pupil high school, it was noted that approval of construction project was not obtained from the Architectural Accessibility Board as required by 29 Del. C. §7308(a) and the State of Delaware Budget and Accounting Policy Manual, XII.D.2. School District personnel were unable to provide evidence that construction plans and specifications were submitted to the Architectural Accessibility Board. Construction plans and specifications must be submitted for review and approval prior to the start of construction. This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause additional remedial project costs to be incurred by Cape Henlopen School District.		
07-03 - During completion of Cape Henlopen School District's construction program and project checklists for renovation and addition to Milton Elementary School and renovation and addition to H.O. Brittingham Elementary, it was noted that the approval of construction	Cape Henlopen School District should establish procedures to ensure that proper approvals from the Division of Facilities Management are obtained in accordance with the guidelines established by the State of Delaware.	Not Implemented. See Finding 08-01.  <b><i>School District's Response:</i></b>  <i>"The District has established a checklist along with using the construction manual for</i>

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
07-03 - plans, specifications, and cost estimates from the Division of Facilities Management was not obtained prior to bid advertisements as required by 29 Del. C. §7419(a). This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.		<i>all future projects to ensure that all projects meet submission and management guidelines.”</i>
07-04 - During completion of Cape Henlopen School District’s construction program and project checklists for renovation and addition to H.O. Brittingham Elementary, renovation and addition to Shields Elementary School, renovation and addition to Milton Elementary School, renovation and addition to Rehoboth Elementary School, and Sussex Consortium lifeskills construction project, it was noted that the plans and the title page of the specifications did not bear the seal and signature of the architect and/or engineer who prepared them in accordance with School Construction Technical Assistance Manual, §1.0, Paragraph 1.6 to ensure that the School District entered into professional services contracts that do not violate provisions	Cape Henlopen School District should obtain plans and specifications that bear the seal and signature on each page of the plans and the title page from the architects and/or engineers who prepared them as soon as possible for renovation and addition to H.O. Brittingham Elementary, renovation and addition to Shields Elementary School, renovation and addition to Milton Elementary School, renovation and addition to Rehoboth Elementary School, and Sussex Consortium lifeskills construction projects.	Implemented.

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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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Prior Year Finding	Recommendation	Status of Prior Year Finding
07-04 - established by the State of Delaware. This was an oversight by School District personnel. Cape Henlopen School District could potentially be exposed to fraud, misuse of appropriated funds, and irregularities when adequate policies and procedures are not in place.		
07-05 - During completion of Cape Henlopen School District's construction program and project checklists for the construct 2 middle schools track project, it was noted that School District personnel did not timely return bid bonds to unsuccessful bidders as required by 29 Del. C. §6962(d)(8)b and the State of Delaware Budget and Accounting Policy Manual, XII.D.3.1. Securities of unsuccessful bidders are to be returned within sixty (60) days after opening of bids. This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.	Cape Henlopen School District should establish procedures to ensure that bid bonds are returned to unsuccessful bidders as required by Delaware Code provisions.	Implemented.

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
07-06 - During completion of Cape Henlopen School District's construction program and project checklist for Sussex Consortium lifeskills construction project, it was noted that approval of construction project was not timely obtained from the Architectural Accessibility Board as required by 29 Del. C. §7308(a) and the State of Delaware Budget and Accounting Policy Manual, XII.D.2. Construction plans and specifications must be submitted for review and approval prior to the start of construction. This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.	Cape Henlopen School District should establish procedures to ensure that proper approvals from the Architectural Accessibility Board are obtained timely in accordance with the guidelines established by the State of Delaware.	Not implemented. See Finding 08-04.  <b><i>School District's Response:</i></b>  <i>"The District has established a checklist along with using the construction manual for all future projects to ensure that all projects meet submission and management guidelines."</i>

## Status Key:

### Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

### Not Implemented

The corrective action has not been initiated.

### Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/08
Construct 2 Middle Schools	2001	\$ 2,666,700	\$ -	\$ 2,666,700	\$ -	\$ 2,666,700	\$ 2,666,700	\$ -
	2002	8,333,300	-	8,333,300	-	8,333,300	8,333,300	-
	2003	9,765,500	-	9,765,500	-	9,765,500	9,765,500	-
Construct 2 Middle Schools (Market Pressure \$)	2003	3,161,500	720	3,162,220	27,160	3,132,420	3,159,580	2,640
Sussex Consortium, Air Conditioning	2004	844,800	-	844,800	6,109	770,658	776,767	68,033
6-Classroom Addition, Rt. 5	2004	133,000	-	133,000	-	133,000	133,000	-
	2005	1,180,100	-	1,180,100	20,704	1,156,318	1,177,022	3,078
Construct New 1600 Pupil High School	2007	32,572,800	-	32,572,800	15,994,920	4,414,062	20,408,982	12,163,818
	2008	27,989,900	-	27,989,900	7,128,203	-	7,128,203	20,861,697
Renovation and Addition to H.O. Brittingham Elementary	2007	1,080,100	-	1,080,100	188,073	889,330	1,077,403	2,697
	2008	1,267,700	-	1,267,700	1,087,102	-	1,087,102	180,598

# SCHEDULE OF CONSTRUCTION PROJECTS - CONTINUED

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/08
Renovation and Addition to Shields Elementary School	2007	\$ 1,088,600	\$ -	\$ 1,088,600	\$ 168,144	\$ 916,035	\$ 1,084,179	\$ 4,421
	2008	1,278,000	(200,000)	1,078,000	826,290	-	826,290	251,710
Renovation and Addition to Milton Elementary School	2007	1,102,000	-	1,102,000	423,434	673,455	1,096,889	5,111
	2008	1,293,000	200,000	1,493,000	1,231,321	-	1,231,321	261,679
Renovation and Addition to Rehoboth Elementary School	2007	1,155,600	-	1,155,600	69,360	1,086,240	1,155,600	-
	2008	1,357,400	-	1,357,400	1,151,906	-	1,151,906	205,494
Renovation to Lewes 9th Grade Academy	2007	332,800	-	332,800	38,393	16,044	54,437	278,363
	2008	390,600	-	390,600	1,939	-	1,939	388,661
Sussex Consortium Lifeskills Construction	2007	600,000	-	600,000	458,744	104,860	563,604	36,396
<b>Totals</b>		\$ 97,593,400	\$ 720	\$ 97,594,120	\$ 28,821,802	\$ 34,057,922	\$ 62,879,724	\$ 34,714,396

Note 1 - Total unspent funds of \$ 2,640 for Construct 2 Middle School Project market pressure includes the questioned transfer of \$ 810 as noted in Finding 08-05.



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# DISTRIBUTION OF REPORT

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Copies of Cape Henlopen School District's Agreed-upon Procedures Attestation Engagement will be distributed by the Office of the Auditor of Accounts to the following public officials:

## Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
Mr. Michael S. Jackson, Acting Director, Office of Management and Budget  
The Honorable Valerie A. Woodruff, Secretary, Department of Education  
Ms. Trisha Neely, Director, Division of Accounting  
Mr. R. Thomas Wagner, State Auditor, Office of the Auditor of Accounts

## Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

## Other Elective Offices

The Honorable Joseph Biden, III, Attorney General, Office of the Attorney General  
The Honorable Jack Markell, Treasurer, State Treasurer's Office

## Other

Ms. Dorcell S. Spence, Associate Secretary - Finance and Administrative Services Branch, Department of Education  
Dr. George E. Stone, Superintendent, Cape Henlopen School District